

**STATE OF
IDAHO
CITIZENS' FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**



I am pleased to present the sixth annual Idaho Citizens' Financial Report (also known as the Popular Annual Financial Report) for the fiscal year ended June 30, 2003. This report provides a brief, easy to understand discussion of Idaho's finances and other important issues. The Idaho Citizens' Financial Report discusses important economic data in a non-technical format and presents a brief explanation of where state government resources come from and how they are spent.



Keith L. Johnson
Idaho State Controller

Each year, in addition to reporting important financial and economic information, the report focuses on a particular part of Idaho life. The focus of this year's report is the Snake River. One of Idaho's most defining geographic features is the Snake River, the ninth largest river system in North America, and the largest tributary of the Columbia River. Flowing into Idaho from Wyoming in a northwest direction, the Snake River arcs across the entire State providing recreational opportunities, power generation, and irrigation for agriculture. The Snake River meets the state of Oregon and forms the border between the two states through Hells Canyon, the deepest gorge in North America.

The Snake River is the lifeblood of Southern Idaho. It boasts a nesting area where more eagles, hawks, and falcons gather than any other place in North America. The Snake River also offers a wide variety of recreational opportunities including rafting, boating, fishing, sightseeing, and camping. With these many uses, the preservation of the Snake River is vital to the State's future.

Since the Snake River provides critical irrigation, power generation, and wildlife habitat, competing claims regarding water rights have arisen. These competing claims are being worked out in the courts. The case is called the Snake River Basin Adjudication, the largest court case of its kind in the nation. In this case, the term "adjudication" means that the court system will decide whose claims to the waters of the Snake River are valid. Thus far, Idaho has adjudicated other rivers including the Payette River Basin in which more than 9,000 water rights were decreed. The Snake River Basin Adjudication may result in the determination of over 150,000 water rights.

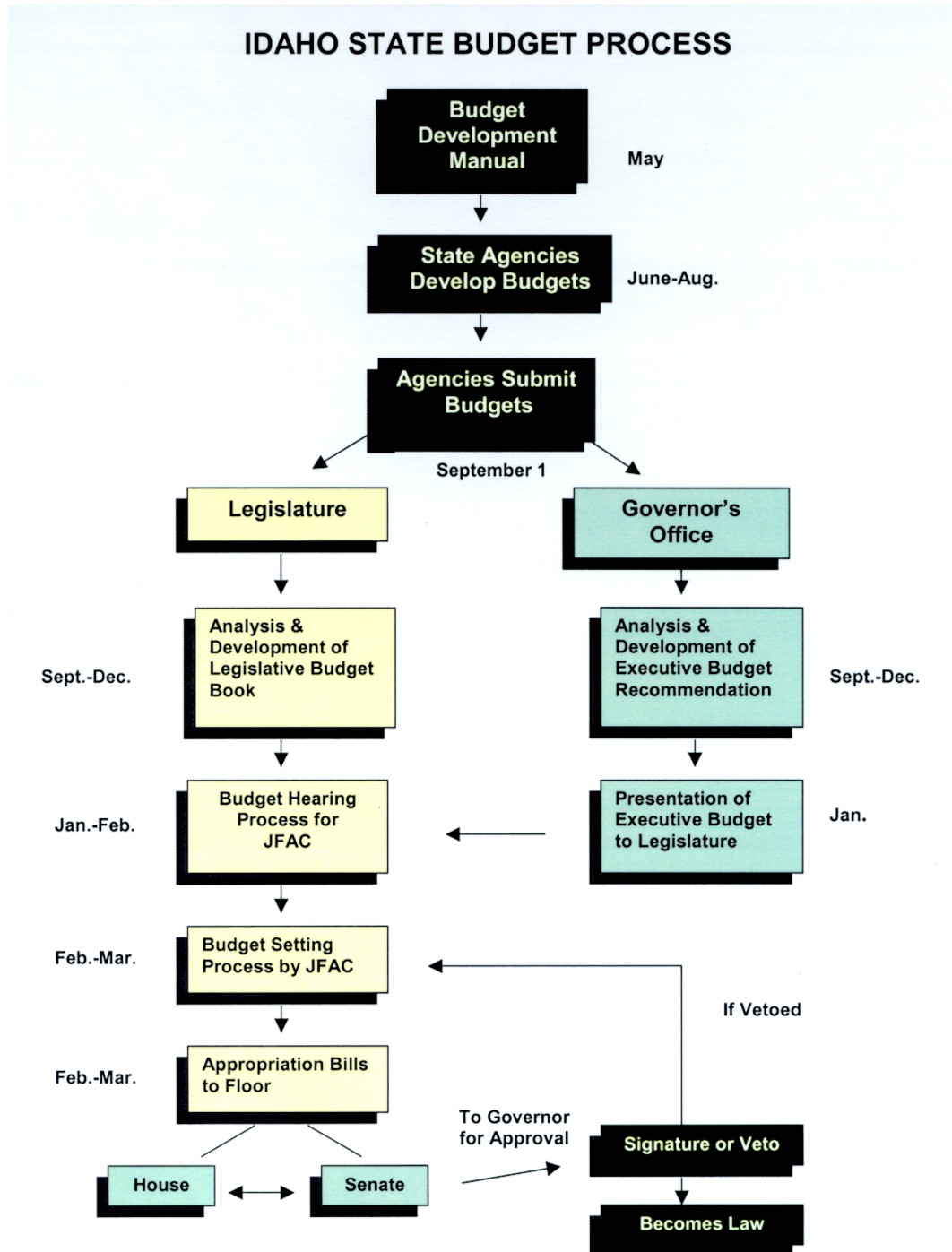
It is my hope that the information provided in this report will be informative and further your capability to make better decisions regarding the State of Idaho. Your comments and suggestions are greatly appreciated.

Keith L. Johnson
Keith L. Johnson
State Controller

Idaho Citizens' Financial Report

Idaho's Budget Process

Idaho's citizen legislature generally meets annually commencing in January and continues through the first part of March. One of the tasks accomplished during that time frame is to set the coming fiscal year's budget for each state agency. The following flowchart shows the process followed in setting agency budgets:



The Idaho Citizens' Financial Report briefly explains the financial condition of the State of Idaho and presents some major state programs. Its purpose is to summarize and simplify the presentation of information contained in the Comprehensive Annual Financial Report (CAFR).

This report is not intended to replace the detailed financial position set forth in the CAFR, which will continue to be provided by the Office of the State Controller. A copy of the CAFR may be obtained from our website or by writing or calling our office (refer to back cover).

The financial statements presented in this report are in accordance with generally accepted accounting principles, except when noted otherwise. The report depicts trends in state revenues and spending in selected economic and demographic areas affecting the State that are of particular public interest.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the State of Idaho for its Popular Annual Financial Report for the fiscal year ended June 30, 2002. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year. We believe this report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

STATE OF IDAHO

**For the fiscal year ending
June 30, 2002**



Edward Harrington
President

Jeffrey L. Esser
Executive Director

The State's Assets and Liabilities

Comparative Statement of Net Assets* June 30, 2002 and 2003 (dollars in millions)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
ASSETS						
Cash	\$500	\$440	\$385	\$377	\$885	\$817
Investments	903	825	344	229	1,247	1,054
Taxes/Accounts Receivable, Net	268	300	84	94	352	394
Due from Other Governments or Funds	145	168	5	0	150	168
Loan/Notes Receivable, Net	9	8	110	113	119	121
Capital Assets	3,579	3,743	609	648	4,188	4,391
Other Assets	36	38	34	35	70	73
Total Assets	\$5,440	\$5,522	\$1,571	\$1,496	\$7,011	\$7,018
LIABILITIES						
Medicaid/Accounts Payable	\$215	\$220	\$28	\$32	\$243	\$252
Deposits	11	10	4	3	15	13
Bonds and Notes Payable	113	154	45	275	158	429
Other Liabilities	241	269	384	80	625	349
Total Liabilities	580	653	461	390	1,041	1,043
NETASSETS						
Invested in Capital Assets, Net of Related Debt	3,467	3,585	392	418	3,859	4,003
Restricted	1,005	1,043	495	573	1,500	1,616
Unrestricted	388	241	223	115	611	356
Total Net Assets	4,860	4,869	1,110	1,106	5,970	5,975
Total Liabilities and Net Assets	\$5,440	\$5,522	\$1,571	\$1,496	\$7,011	\$7,018

*Includes governmental and proprietary funds

Governmental Activities include most of the State's basic services and are paid for by state taxes and federal grants.

Business-Type Activities account for operations that function in a manner similar to private business, where the cost of providing goods or services is paid for mainly through user charges.

Net Assets measure the difference between what the State owns (assets) versus what the State owes (liabilities).

Invested in Capital Assets, Net of Related Debt, measures the value of capital assets the State owns, less depreciation and any debt owed from buying or building the assets.

Restricted Net Assets are assets that are not available for general use due to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Unrestricted Net Assets are assets that may be used according to the State's desires, but use may be limited by state statutes.

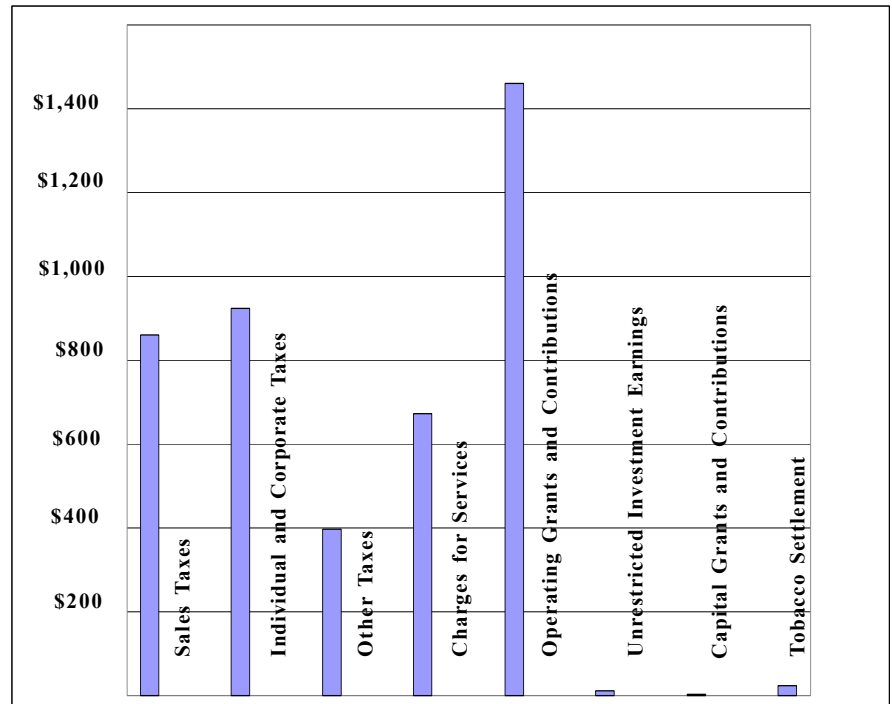
Where the Money Comes From

Taxes, federal grants, and miscellaneous revenues are Idaho's sources of income.

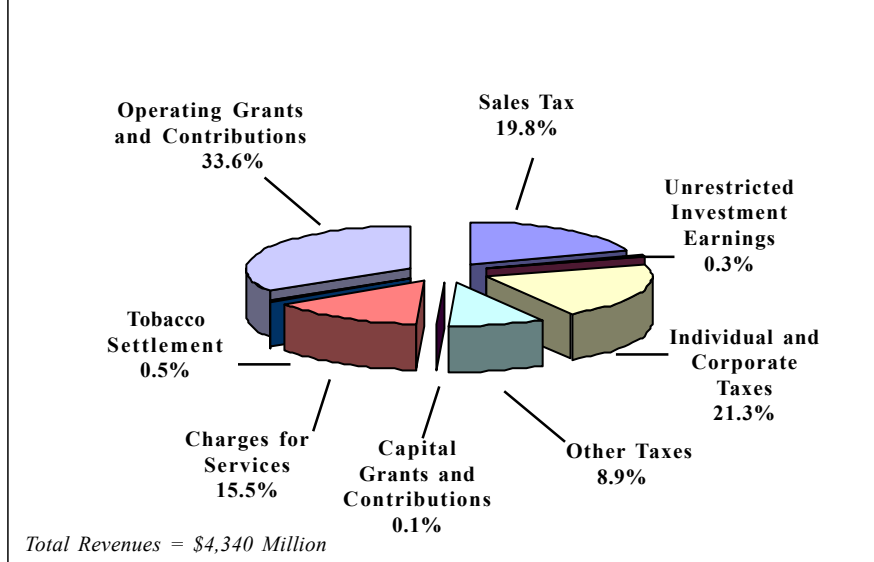
The collection of taxes is the largest source of funds for Idaho. State income taxes are collected from both individuals earning wages and businesses earning profits in Idaho. Sales taxes are collected from retail transactions occurring in Idaho.

Federal grants are the next largest source of funds for Idaho. Grants are awarded for specific purposes. For example, the Federal Department of Health and Human Services gives grant money to Idaho for Medicaid and Child Support services, and the Federal Department of Energy gives grant money for State oversight of the Idaho Nuclear Energy and Environmental Laboratory.

**FY 2003 Primary Government
Governmental Activities Revenues***
(in millions)



**FY 2003 Primary Government
Governmental Activities Revenues***



Fees, charges for permits, investment earnings, and other miscellaneous types of income are the third largest source of state revenues. Fees are charges for services provided by state agencies. For example, the Department of Fish and Game charges a fee for issuing a fishing license.

Permits are issued to businesses and individuals. The Department of Parks and Recreation will issue a permit for citizens to use a state park for a year. The money raised by issuing these permits will help to pay for the maintenance of the parks.

*Includes governmental and internal service funds

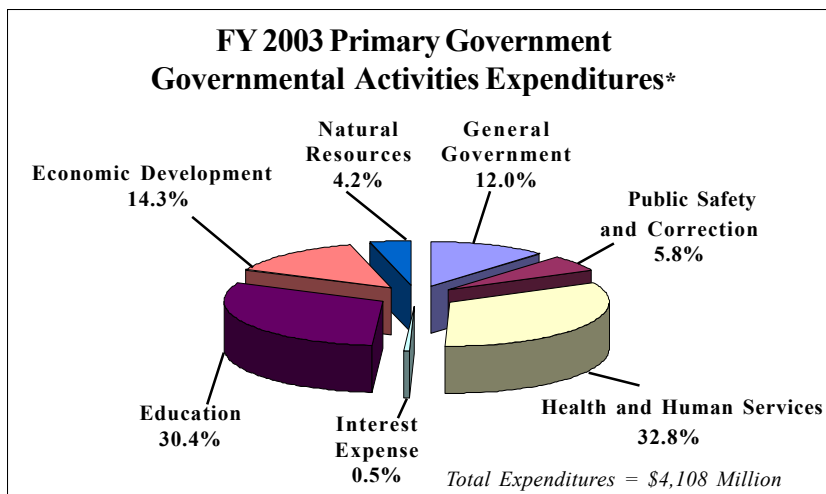
Where the Money Goes

Each year the Idaho Legislature meets and sets a budget for the State. This past year the two largest consumers of the state budget were Education and Health and Human Services.

Health and Human Services spent the largest share of state funds, accounting for 32.8 percent of money paid out in fiscal year 2003. Medicaid programs received over half of the Health and Human Services budget. Medicaid provides medical and dental services for low-income families and individuals. Medicaid also assists those who are unable to pay for medical and dental services because of youth, old age, pregnancy, or disability. Additional Health and Human Services programs include the AIDS Drug Assistance Program, Child Adoption, Children's Mental Health, and Child Protection Referrals.

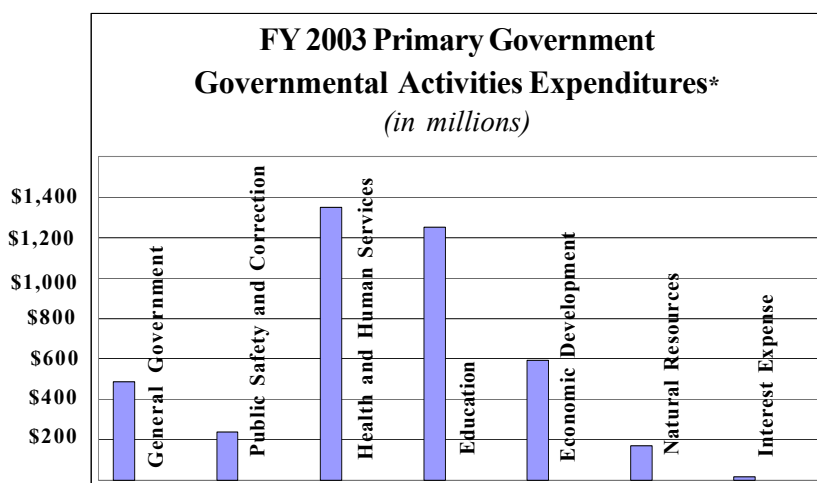
Education spent 30.4 percent of the budget. The money was used for public schools, colleges and universities, and other education.

A large portion of the budget was spent for economic development (which includes transportation). Transportation used money for the repair and maintenance



of the State's infrastructure, which includes long-lived assets such as roads and bridges.

The remaining 22.5 percent of the budget was spent on programs such as law enforcement, public safety, natural resources, agriculture, and general government. These programs are ran by employees of the State of Idaho and help to protect the people and the land, as well as providing for the sound governance of the State.



*Includes governmental and internal service funds

Economic/Demographic

Economic Condition and Outlook

The current national economic forecast shows the economy picking up steam after the 2001 recession. After growing just 2.4 percent in 2003, real gross domestic product is expected to increase 4.3 percent in 2004 and 3.3 percent in 2005 and 2006. Idaho's economy has also begun to show improvements.

It is estimated that Idaho nonfarm employment will increase 0.4 percent in 2003 after remaining flat during 2002. The outlook calls for nonfarm em-

ployment to accelerate slightly by 1.2 percent in 2004, 1.7 percent 2005, and 1.6 percent in 2006.

The services sector is Idaho's largest and fastest growing part of the economy. Last year more than four out of every ten jobs were in the services-producing sector. From 1991 to 2002, the number of service-producing jobs increased 63.2 percent. It is estimated employment will increase in the services sector by 1.7 percent in 2003, 2.2 percent in 2004, and 2.8 percent in 2005 and 2006.

Selected Idaho Economic Indicators

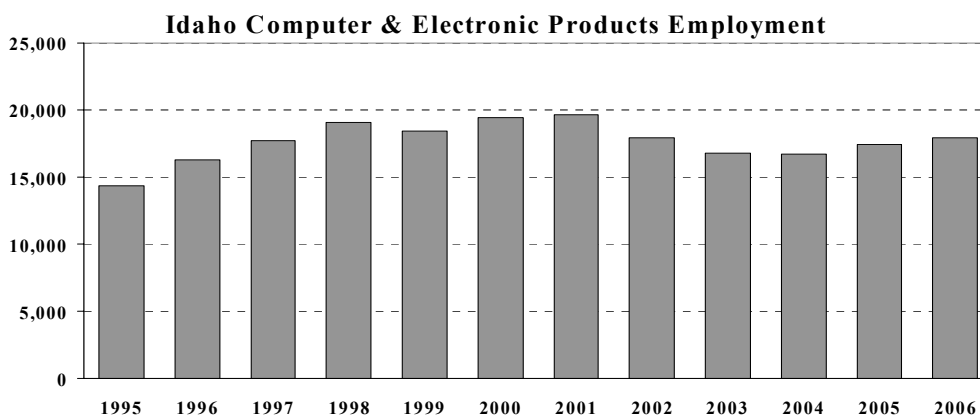
Computer and Electronics

It has become clear that the high tech industries are not immune from the normal business cycles. This sector's employment has been hit hard by the collapse of U.S. business investment in computer systems and related equipment purchases and upgrades. From 1996 to 2000, business spending on computer hardware and software grew at double-digit rates. In 2001, spending shrank by 6 percent (its first decline since 1975). It then grew by just 3 percent

in 2002. This extended slowdown has taken its toll on local companies. In 2002 Micron laid off approximately 1,100 workers in the Treasure Valley. Micron is the world's second largest producer of computer memory products. In addition, approximately 500 jobs were lost when Jabil Circuit closed its two-year old Meridian manufacturing plant.

However, several factors suggest this sector's worst episode in recent history is over. For example, spending on equipment is beginning to improve and is expected to accelerate in the near future.

What is a business cycle?
**The continual shift between periods
of prosperity and contraction
(characteristic of business and
industry).**



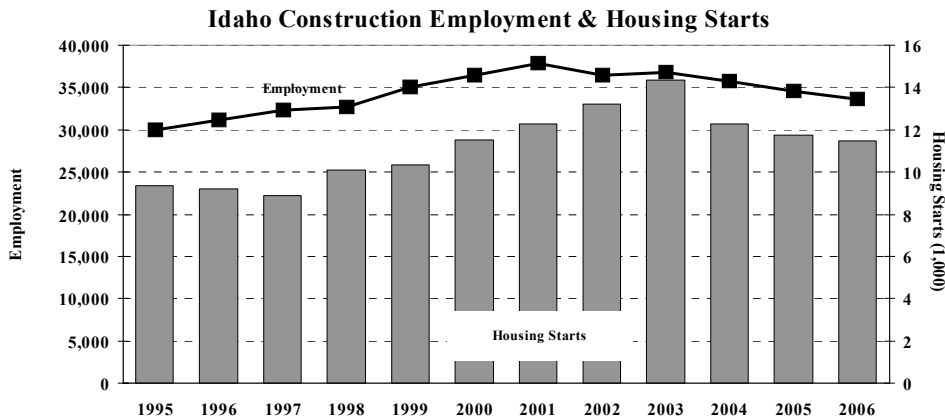
Source: Idaho Division of Financial Management

Construction

After rapid growth for several years, Idaho's construction sector is expected to cool off. Construction employment advanced steadily through most of the 1990s and early part of this decade. Idaho's construction employment grew from 20,350 in 1991 to 37,860 in 2001, an 86 percent increase. In 2002, employment in the sector began to decline. This raised fears that af-

ter years of booming, construction was entering the bust phase of the business cycle and will begin to lose jobs. The State Division of Financial Management's recent forecast shows construction jobs being lost but does not forecast a steep decline. This is because Idaho does not have a huge accumulated stockpile of building inventory.

So, when demand picks up, new orders will be quickly placed for all sorts of building material. In 2003, the industry's job growth is expected to be a positive 0.8 percent.

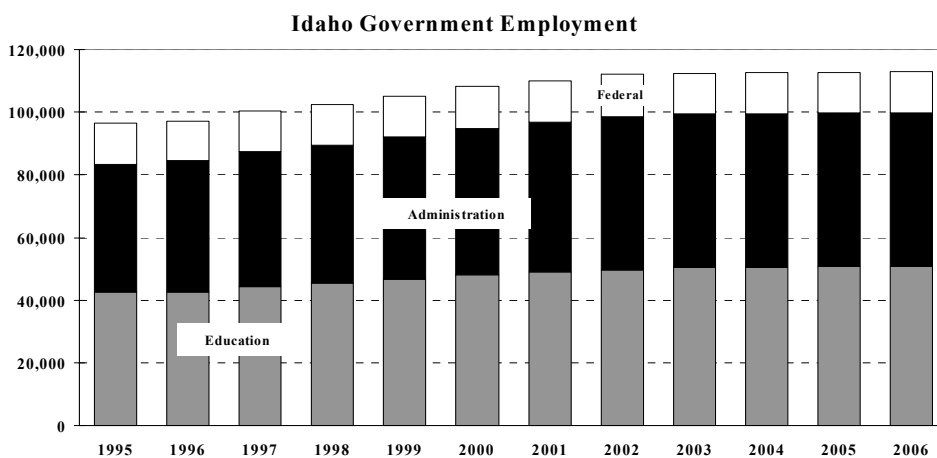


Government

The outlook for all types of Idaho government employment is flat. This is a big change from the 1990's for state and local government. During that period, the influx of new residents strained the capacities of governments. As a consequence, employment expanded 2.8 percent annually to meet the demands of the ex-

ploding population. Growth began to taper down as Idaho's population growth cooled down with the start of the new millennium. New laws that limited the growth of local governments' budgets curbed growth further. As a result, Idaho state and local government employment growth slowed from 3.1 percent in 1999, to 2.7 percent in 2000, to

2.2 percent in 2001, and 1.7 percent in 2002. Tight budgets promise to take growth even lower in 2003 and beyond. Idaho state and local government employment should advance just 0.8 percent in 2003, increase 0.2 percent in 2004, and rise 0.1 percent in both 2005 and 2006.



Source: Idaho Division of Financial Management



Striving for a Seamless Education System

The Idaho State Board of Education is committed to developing an educational system that provides individuals of all ages and abilities access to quality education and services. This system must help students develop skills, knowledge, and social awareness in order to be globally competitive workers, responsible citizens, and lifelong learners.

The State of Idaho has a unique single State Board structure encouraging a streamlined educational

structure that serves the educational needs of all public education students ranging from kindergarten through adulthood. The State Board of Education recognizes that a quality postsecondary education experience begins with kindergarten. Therefore, the Board is committed to developing a system that prepares students to adequately take advantage of every educational opportunity they desire in order to attain their individual goals.

Idaho Standards Achievement Test (ISAT) Online Testing

The Idaho Standards Achievement Test (ISAT) measures students' knowledge in language arts, reading, and mathematics and is given on the computer. This assessment mechanism, developed to measure how well students are meeting the Idaho Achievement Standards, uses cutting edge technology.

Idaho piloted online testing in Fall 2002 with full implementation in the Spring of 2003. The number of districts administering the ISAT online jumped from 78 percent in Fall 2002 to 96 percent in Spring 2003. These tests focus on key instructional areas and provide immediate feedback to school administrators, teachers, students, and parents.

The table below shows the results of the 2002 Fall ISAT in regard to the percentage of students already proficient at their grade level and the expected percentage of students that will be proficient at the close of the 2002-03 school year:

Grade Level	2	3	4	5	6	7	8	9	10
Math									
Fall 02-03	17.3	27.5	32.5	33.6	39.3	44.4	40.3	36.0	45.8
Spring 02-03 (est)	66.8	66.7	62.1	57.1	61.3	61.6	54.6	51.1	59.1
Language Arts									
Fall 02-03	29.6	44.9	52.9	50.8	54.7	57.5	54.8	56.9	71.0
Spring 02-03 (est)	72.0	73.4	73.0	67.4	67.0	68.1	64.1	74.3	77.2
Reading									
Fall 02-03	32.5	42.7	50.3	52.5	54.4	56.0	58.6	60.4	69.2
Spring 02-03 (est)	70.7	69.2	69.7	68.4	67.9	67.5	69.1	77.1	77.1

Source: Idaho Department of Education

Idaho Robert R. Lee Promise Scholarship Program

During the Spring semester of 2003, approximately 7,600 Idaho students received \$250 each to help pay for their college education. Now in its second year, the Category B program provides up to \$500 to Idaho students attending college for the first time. Funding for the scholarships is appropriated each year by the Idaho Legislature.

The Idaho Robert R. Lee Promise Category B Scholarship program is designed to encourage students to do well in high school, graduate, and con-

tinue their education in an Idaho college or university. To qualify, students must have a GPA of at least 3.0 (or an ACT score of 20 or better) and attend a participating Idaho college or university. They must be enrolled as a full-time student and must be under the age of 22 prior to enrollment in the academic term of the award.

For more information regarding Idaho's grants and scholarships, visit the Board of Education website: www.idahoboardofed.org/scholarships.asp.

Delivery of Postsecondary Education in Idaho

One of the primary goals of the State Board of Education is to develop a seamless system without barriers within and between the public schools and the institutions of higher learning. As "satellite centers" continue to develop throughout the state, the Board realizes the need for a systematic and coordinated approach to the development of postsecondary programs by the various institutions.

The State Board of Education has developed policy to provide a framework for the statewide coordination of the delivery of education by the State's postsecondary institutions. It encourages a plan-

ning approach to delivery while creating a mechanism for institutions to cooperate in the development of programs to meet both regional and statewide workforce needs.

The principles of cooperation and coordination outlined in this new policy are basically the same as those that have guided the development of the centers at Twin Falls, Idaho Falls, and Coeur d'Alene.

Higher Education Enrollment in a Period of Rising Tuitions

		2000	2001 and Change Since 2000		2002 and Change Since 2000		2003 and Change Since 2000	
Boise State	Enrollment	16,482	17,176	+ 4.2%	17,688	+ 7.3%	18,431	+ 11.8%
	Tuition	\$2,303	\$2,451	+ 6.4%	\$2,665	+ 15.7%	\$2,984	+ 29.6%
Idaho State	Enrollment	13,037	13,663	+ 4.8%	13,352	+ 2.4%	13,625	+ 4.5%
	Tuition	\$2,398	\$2,578	+ 7.5%	\$2,800	+ 16.8%	\$3,136	+ 30.8%
University of Idaho	Enrollment	11,635	12,067	+ 3.7%	12,423	+ 6.8%	12,894	+ 10.8%
	Tuition	\$2,348	\$2,476	+ 5.5%	\$2,720	+ 15.8%	\$3,044	+ 29.6%
Lewis and Clark State	Enrollment	2,696	2,952	+ 9.5%	2,967	+ 10.1%	3,228	+ 19.7%
	Tuition	\$2,204	\$2,360	+ 7.1%	\$2,550	+ 15.7%	\$2,852	+ 29.4%

Source: Idaho Department of Education



IDAHO DEPARTMENT OF HEALTH & WELFARE

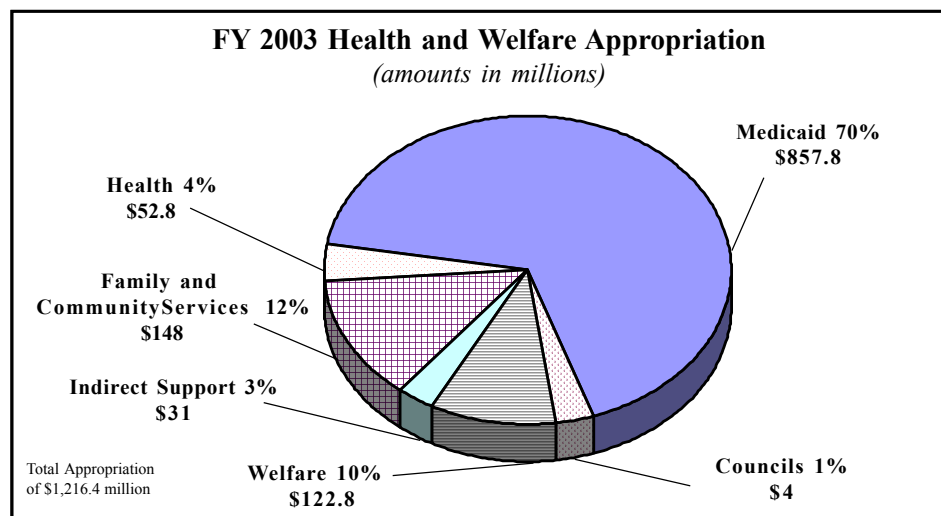
Medicaid is the federal and state-funded medical assistance program for low-income Idaho citizens. Rising health care costs and the advent of the Children's Health Insurance Program has spurred Medicaid cost increases. The Legislature and the Department of Health and Welfare (DHW) are working to bring Medicaid spending under control. Medicaid spending has been increasing in both the actual dollar amount and as a relative percentage of DHW's budget. The fiscal year 1999 budget for Medicaid was \$138 million. The fiscal year 2003 budget for Medicaid was \$858 million. Prior to fiscal year 1999, the Medicaid enrollment and budget were relatively stable.

Prices have risen faster than the number of citizens eligible for Medicaid. From 1993 to 2003, the growth in Medicaid expenditures outpaced the rise in program beneficiaries by 38 percent (*Idaho Fiscal Facts*, September 2002, page 59). On average, total funding for Medicaid has increased about 14 percent annually from 1993 to 2003, while other Health and Welfare programs have increased on average by 3 percent.

DHW Staff Reductions from Fiscal Years 2000 to 2003*

Year	Personnel	Cost
FY2000	3,629 actual positions	\$162.9 million
FY2003	2,922 actual positions	\$140.0 million
Totals	707 Positions Eliminated	\$22.9 million savings

* Sources: Legislative Fiscal Report, Division of Financial Management, and the State Controller's Office.



Source: Idaho Department of Health and Welfare and the Legislative Fiscal Report for 2003

Additional Medicaid cost saving measures include:

- ♦ Strengthened the authority of the DHW to recover medical assistance costs, as provided by fiscal year's 2003 Senate Bill 1472. This bill made it easier to pursue a claim against a third party (a "third party" would be an individual or organization, other than the Medicaid recipient or the government, that has some responsibility to pay for the medical costs) and allowed action to recover payments.
- ♦ Limiting Children's Health Insurance Program expenditures, limiting payments for adult dental services to emergency services only, and continuing the utilization management pilot project in Region II ("utilization management" is a set of cost control measures to ensure that services are necessary for the patient's well-being and that charges are reasonable) was the focus of Senate Bill 1490.
- ♦ Managing the use of hospital outpatient services to reduce unnecessary visits. For example, some folks use the emergency room at a hospital (for which the costs are relatively high) to have non-emergency medical services provided.
- ♦ Mandating the use of *Healthy Connections* for Region V (Blaine, Camas, Cassia, Gooding, Jerome, Lincoln, Minidoka, Twin Falls Counties) Medicaid recipients. *Healthy Connections* is a state and federally-funded managed care system designed to give Medicaid clients a primary care physician and, in the process, slow the growth of health care costs. *Healthy Connections* provides each client with a single doctor who monitors and delivers most health care to the individual. A single health care provider eliminates much of the duplication and misuse of services. *Healthy Connections* has been in place for a number of years but recently received a push from the DHW. A year ago, enrollment statewide was about 32 percent. It is now at almost 59 percent, slightly ahead of projections. *Healthy Connections* has about 90,000 enrollees statewide (Feb. 9, 2003, DHW news release).
- ♦ Obtaining competitive bids on the purchase of durable medical equipment.
- ♦ Receiving rebates for medicines purchased for the Children's Health Insurance Program. Receiving rebates from drug companies is part of the more established Medicaid process, and now that the Children's Health Insurance Program has been brought into Medicaid, it will enjoy the same benefit of drug rebates.
- ♦ Requiring prior authorizations for prescriptions when adults are taking more than four separate medicines per month.
- ♦ Implementing utilization management (as provided for in Senate Bill 1202) is expected to save \$3 million during fiscal year 2004 and realize millions of dollars of savings thereafter. Utilization management is a broad spectrum of cost control measures that include: preauthorization of certain medical procedures and treatments, use of a preferred drug list, managing the care provided to citizens to ensure appropriate, cost-effective treatments, and providing for appropriate use of emergency rooms.

Historical Comparisons of Personnel and Appropriations *

Year	DHW Actual Full-Time Positions	DHW's Percent of the Total General Fund Appropriation	Medicaid Percent of Total DHW Appropriation
1997	3,309	18.2 %	56.4 %
1998	3,621	17.5 %	57.0 %
1999	3,627	15.6 %	58.8 %
2000	3,629	16.1 %	62.6 %
2001	3,038	15.6 %	67.8 %
2002	2,982	16.8 %	68.6 %
2003	2,922	16.4 %	70.5 %

* From Idaho Legislative Fiscal Reports 1997-2003. The DHW Full-Time Positions amount for 2003 is the appropriated level.



Department of Environmental Quality

The Idaho Department of Environmental Quality (DEQ) is the state agency responsible for ensuring clean air, water, and land in the State, and for protecting Idaho citizens from the adverse health impacts of pollution. DEQ's Water Quality Division, representing 43 percent of the agency's annual budget, works to safeguard the State's surface, ground, and drinking water resources through:

- ♦ monitoring, collecting, and assessing water quality data.
- ♦ developing and implementing plans to restore water quality-impaired streams, lakes, and rivers.
- ♦ providing technical assistance and investing in community infrastructure water quality improvement projects.

- ♦ partnering with the private and public sectors to prevent water pollution and promote economic development.

On-the-ground efforts are paying off along the Snake River, where both water quality and the economy are reaping benefits. Pollutant levels of sediment, phosphorus, bacteria, and nuisance aquatic plant growth are down in the Middle Snake, due in large part to substantial investments of time, effort, and resources by water-user industries to meet prescribed Total Maximum Daily Loads. Participating industries include aquaculture, hydropower generation, food processors, confined animal feeding operations, municipalities, irrigators, agriculture, grazing, forestry, and recreation.



Snake River by Twin Falls
Picture Courtesy of the Idaho Department of Commerce

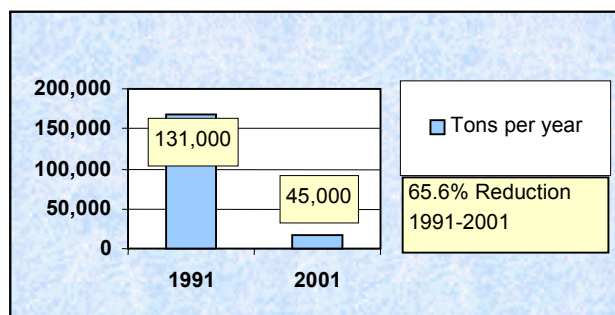
To allow for continued growth in the region, DEQ has invested in creating one of the first pollution trading programs in the nation. Pollution trading is an economic incentive-based strategy that enables one source to meet its regulatory obligations by using pollutant reductions created by another source that has lower pollution control costs. The standards remain the same, but efficiency is increased and costs are decreased. The program helps re-

move obstacles to economic growth along the Snake River while protecting water quality. In some cases, pollution trading has resulted in ancillary environmental benefits such as creation of habitat. Supplementing this effort is DEQ's investment of \$2.7 million in federal grant funds in watershed enhancement projects, including the construction of wetland areas along the Middle Snake, with more projects scheduled in future years.

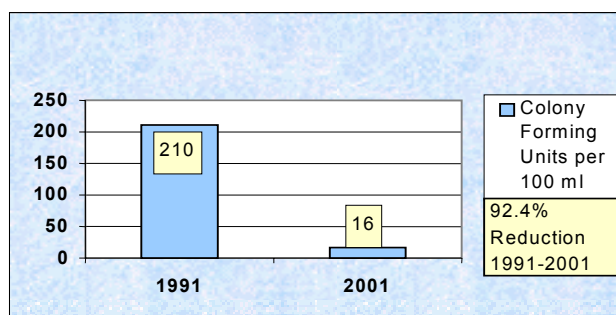
Another important element in DEQ's work to improve water quality, protect public health, and promote economic development is the Drinking Water and Wastewater Grant and Loan Program. This program channels grants and low-interest loans to communities to build and upgrade their drinking water and wastewater treatment facilities. During

fiscal year 2003, DEQ awarded more than \$600,000 in planning grants and invested \$19.2 million in loans for community wastewater and drinking water projects. The results of the projects pay long-term dividends in improving water quality and the economy in the Magic Valley and state-wide.

Mid-Snake Sediment Reductions



Mid-Snake E.coli Reductions



Source: Department of Environmental Quality

Top 10 Reasons Why Water Quality Has Improved in the Middle Snake River:

1. Proactive and cooperative approach to improve the waterways involving a wide range of water users (inclusive of the aquifer water from the Snake River Plain).
2. Development and approval of total maximum daily loads criteria for the Mid-Snake and feeder waterbodies.
3. Cleanup of tributaries and irrigation returns.
4. Reductions in nuisance aquatic plant growths.
5. Reductions in sediment as a result of voluntary implementation by the agricultural community of best management practices, including the use of sediment ponds and wetlands.
6. Reductions in phosphorus through adoption of voluntary best management practices.
7. Reductions in E.coli bacteria.
8. Formation of a watershed advisory group of representatives of industry, government, and the public actively working to improve water quality in the Middle Snake River.
9. Development and implementation of projects targeting key areas in the river that require cleanup, turning some into pond-wetland developments for bird refuge and wildlife habitat.
10. Annual monitoring of major hydroelectric project impoundments to show progress and identify areas where further improvements are needed.

Source: Department of Environmental Quality

Important Initiatives and Issues

Increase Taxes or Cut State Budgets?

How to fund state government was a difficult issue during this last legislative session. Lean economic times have forced our elected representatives to face difficult decisions. Policy makers had to balance concerns about the funding of State government and the impacts upon the State's economy. The major point of discussion dealt with tax increases. A public opinion poll* has shown that the citizens of the state are evenly divided over the question of tax increases.

A one cent, temporary, sales tax increase gained final approval. The temporary sales tax increase is scheduled to end on June 30, 2005. Other measures taken to manage the budget situation included budget hold-backs. Agency budgets were reduced \$200 million. Additional revenue was raised through a larger cigarette tax from 28 cents to 57 cents per pack (expected to bring in an additional \$23 million of revenue and also slated to expire on June 30, 2005).

* The public opinion poll referred to was conducted by Boise State University's Social Science Research Center (14th Annual Idaho Public Policy Survey).

Idaho's Tobacco Tax Compared With Other Western States (per pack)

Arizona	\$1.18
California	\$0.87
Colorado	\$0.20
Idaho	\$0.57
Montana	\$0.70
Nevada	\$0.35
New Mexico	\$0.91
Oregon	\$1.28
Utah	\$0.69 ^{1/2}
Washington	\$1.42 ^{1/2}
Wyoming	\$0.60

Source: Tobaccofreekids website

Idaho's Sales Tax Compared With Other Western States

Arizona	7.60%
California	7.90%
Colorado	6.05%
Idaho	6.05%
Montana	None
Nevada	7.15%
New Mexico	5.95%
Oregon	None
Utah	6.45%
Washington	8.30%
Wyoming	5.30%

State Sales Tax Along With Combined Average City and County Rates
Source: Sales Tax Clearinghouse

Idaho Sales Taxes Paid Per Person 1999 - 2004

Year	Sales Tax Revenues (in millions)	Resident Population (in millions)	Sales Tax Paid per Person
1999	\$700	1.28	\$547
2000	\$745	1.30	\$573
2001	\$737	1.32	\$558
2002	\$872	1.34	\$651
2003	\$860	1.35*	\$637
2004	\$866*	1.37*	\$632

* Projections obtained from the Division of Financial Management

Difficult Decisions – Education

In the public opinion poll (mentioned on the previous page) Idaho citizens expressed their concern over funding for education. In that same poll, when asked what is the biggest problem facing the State, the most common response was “Education.” Questions have been asked, such as, “If enrollments are increasing, is spending keeping pace?”

♦ Approximately 73 percent of Idaho citizens favor increased spending for K-12 public education.

♦ Approximately 60 percent favor increased spending for public universities and colleges.

Additional Education Initiatives from the 2003 Legislative Session

♦ Public schools (K-12) received \$21.5 million more than they received in the prior year, while higher education received an additional \$3 million.

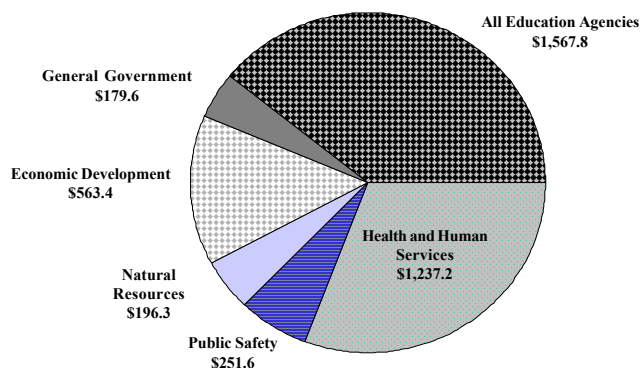
♦ Legislation establishing the Idaho Student Information Management System passed, opening the door for a \$35 million grant from the Albertson Foundation.

Total Public Education Spending Over Time Compared to Enrollment

	Enrollment	Percent Change	Appropriations	Percent Change
1996	284,473		1,107,162,600	
1998	286,788	0.8%	1,215,081,100	9.7%
2000	288,881	0.7%	1,374,092,500	13.1%
2002	292,835	1.4%	1,597,953,800	16.3%

Note: Appropriation amounts reflect State Board of Education appropriations (from *Legislative Fiscal Reports*). Student headcount figures are from the Department of Education.

FY 2003 All Funds Appropriations (amounts in millions)*



How the Education

Appropriation is Distributed *

(amounts in millions)

Public School Support	\$985.5
Colleges and Universities	\$294.4
Superintendent of Public Instruction	\$131.1
Professional-Technical Education	\$51.0
Agricultural Research	\$28.2
Community Colleges	\$18.8
Vocational Rehabilitation	\$17.7
Special Programs	\$9.9
Deaf and Blind School	\$7.5
Health Education	\$7.5
State Board of Education	\$6.2
Historical Society	\$3.6
State Library	\$3.6
Public Broadcasting	\$2.8

* Source: 2002 Idaho Legislative Fiscal Report, “Fiscal Year 2003 All Funds Revenue & Appropriations”

Important Initiatives and Issues

Increased Federal Assistance

On May 22, 2003, federal House and Senate members passed the *Jobs and Growth Tax Relief Reconciliation Act*. The Act contained more than \$20 billion in state fiscal relief divided between Medicaid assistance and general revenue sharing. Idaho's portion of the relief package will total approximately

\$85 million. The \$85 million will be received in state fiscal year 2004. Approximately \$35 million of the Idaho assistance will be devoted to Medicaid, while the other \$50 million will be available for any legitimate state government purpose.

Major Issues - Natural Resources

- ♦ The Snake River Basin Adjudication process was expedited by reducing the period for filing responses to objections from 120 days to 60 days. In addition, the time for a hearing on unobjected parts of the report of the director of the Department of Water Resources was changed from 60 days following the expiration for filing responses to objections to 60 days following the expiration for filing objections (House Bill 415 and 416).

- ♦ The U.S. Bureau of Reclamation was authorized to release up to 427,000 acre feet of water from its projects during 2002, 2003, and 2004 for minimum stream flow purposes. The three-year extension matches the three-year period of the supplemental biological opinion issued for the Bureau's Upper Snake River projects by the National Marine Fisheries Service on January 24, 2002, and is subject to legislative repeal in the event the supplemental biological opinion is modified or set aside (HB 666).

From the Governor's 2003 Initiative Scorecard press release, dated May 3, 2003:

- ♦ The Bond Interest Equalization (Senate Bill 1474, from the 2002 session) was reauthorized by the Legislature. This legislation has enabled the State to support "...critical school facility needs..." The State provides funding for school districts to help them with bond interest and bond redemption costs.

- ♦ Additionally, the Governor, in his 2003 Initiative Scorecard, discussed how building projects on college campuses would continue to receive funding. Not only does the funding build an im-

proved basis for higher education, it also will stimulate local economies through "immediately creating hundreds of high paying construction jobs, as well as benefiting thousands of other workers and businesses."

- ♦ House Bill 70 provided an unemployment insurance tax cut to Idaho business owners. The tax cut will "...keep \$120 million dollars in the hands of Idaho business owners and will have no impact on the state's general fund nor diminish the level of benefits."

Data Sources

Commerce, Department of
Education, State Board of
Financial Management, Division of
Governor, Office of the

Health and Welfare, Department of
State Legislature
Environmental Quality, Department of

FACTS ABOUT IDAHO

Name: Originally suggested for Colorado, the name “Idaho” was used for a steamship which traveled the Columbia River. With the discovery of gold on the Clearwater River in 1860, the diggings began to be called the Idaho mines. “Idaho” is a coined or invented word and is not a derivation of an Indian phrase “E Dah Hoe (How)” supposedly meaning “gem of the mountains.”

Nickname: The “Gem State”

Motto: “Esto Perpetua” (Let it be perpetual)

Discovered by Europeans: 1805, the last of the 50 states to be sighted

Organized as Territory: March 4, 1863, act signed by President Lincoln

Entered Union: July 3, 1890, 43rd state to join the Union

GEOGRAPHY

Land Area: 83,557 square miles, 13th in area size

Water Area: 880 square miles

Highest Point: 12,662 feet above sea level at the summit of Mt. Borah, Custer County in the Lost River Range

Lowest Point: 770 feet above sea level at the Snake River at Lewiston

Length: 479 Miles

Width: 305 miles at the widest point

Geographic Center: Settlement of Custer on the Yankee Fork River, Custer County

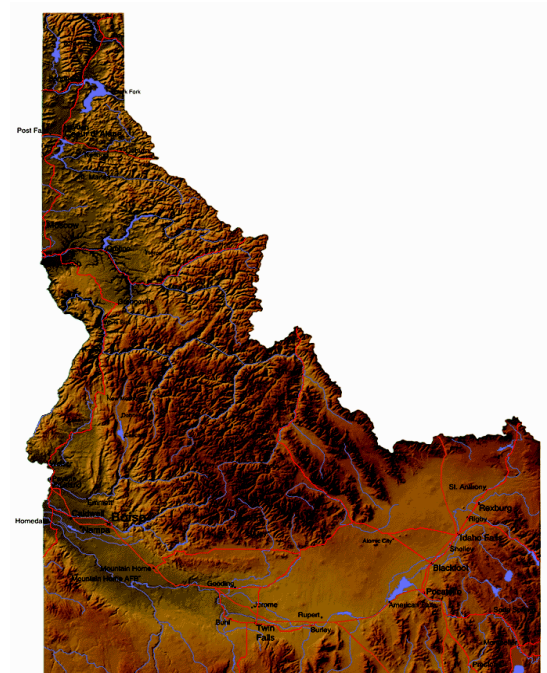
Number of Lakes: More than 2,000

Navigable Rivers: Snake, Coeur d’Alene, St. Joe, St. Maries, and Kootenai

Largest Lake: Lake Pend Oreille, 180 square miles

Temperature Extremes: Highest, 118 degrees at Orofino July 28, 1934, -60 degrees at Island Park Dam, January 18, 1943

2002 Population: 1,341,131 (Idaho Department of Commerce)



Source: Office of the Governor

Idaho Citizens' Financial Report

Snake River Adjudication Process

Snake River Basin Adjudication is the legal inventory of some 185,000 water rights in 38 of the State's 44 counties. Idaho is undergoing a statutorily-created lawsuit to inventory all surface and ground water rights in the entire stream system of the Snake River. Launched in 1987, this process, the Snake River Basin Adjudication, includes claims for all uses of water: surface water; groundwater; agricultural; industrial; hydropower; aquaculture; non-consumptive reservations; domestic; municipal; and federal reserved rights. These claims encompass thousands of users and approximately 87 percent of the State. Individuals, corporations, the State of Idaho, the Federal Government, Native American tribes, and other entities are party to the process. The Idaho Department of Water Resources is the lead state agency, serving as an independent expert and technical assistant by law.



Hells Canyon Dam

Photo Courtesy of the Idaho Department of Commerce

How Long is the Snake River?

The Snake River originates in Yellowstone National Park at 9,500 feet elevation and winds through southern Idaho before turning north to form the boundary between Idaho and Oregon. The Snake finally joins the Columbia River near Pasco, Washington, at 340 feet elevation, 1,036 miles from its source. According to Bill Gulic in his book, *Snake River Country*, the Snake drains 109,000 square miles and contributes 36 million acre-feet of water to the Columbia, ranking 6th in volume among the nation's rivers.

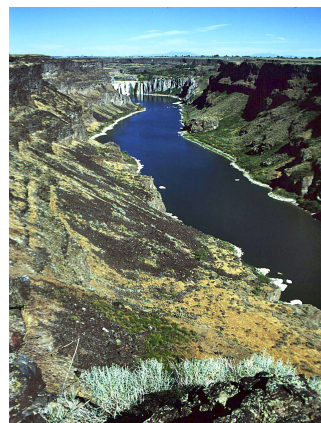


Fishing on the Snake River

Photo Courtesy of the Department of Commerce

Snake River Dams

In 1900, the Trade Dollar Consolidated Mining and Milling Company built the first hydroelectric dam and power plant on the Snake River at Swan Falls. The plant sent power 28 miles to the Trade Dollar Mine at Silver City, Idaho. Within a few years the mines dried up and a new demand emerged, irrigation and drainage pumps were needed for farms and communities. By 1912, pumps in southwestern Idaho were lifting water 170 feet directly from the river onto the land. After that, the progress of irrigated agriculture and power production went hand-in-hand all across southern Idaho and soon many more hydroelectric plants were constructed. The last dam to be built on the river was by Idaho Power Company in the 1960's. Today there are 25 diversion and power dams of the main stem of Snake River. The Snake River irrigates 3.8 million acres of land and produces well over ten million-megawatt hours of electrical power.



The Snake River near Twin Falls, Idaho

Photo courtesy of the Idaho Department of Commerce